COMMONWEALTH OF MASSACHUSETTS
GROUP INSURANCE COMMISSION

Fiscal Year 2015 Annual Report

Quality Benefits at Reasonable Costs

"And if you wish to go anywhere you must run twice as fast as that," said the Queen of Hearts to Alice.

—Alice in Wonderland

Commonwealth of Massachusetts
Group Insurance Commission
Your Benefits Connection

THE GROUP INSURANCE COMMISSION

The mission of the Group Insurance Commission (GIC) is to provide high-value health insurance and other benefits to state employees, retirees, and their survivors and dependents. The GIC also covers housing and redevelopment authorities as well as certain municipalities that elect to join the GIC. The agency works with vendors selected through competitive bidding to offer cost-effective benefits produced with careful plan design and rigorous ongoing management. The agency's performance goals are to provide affordable, high quality benefits and, as the largest employer purchaser of health insurance in the Commonwealth, to use that position to drive improvements in the health care system.

The GIC offers the following benefit programs:

- A diverse array of health insurance options
- Term life insurance
- Long Term Disability (LTD) insurance
- Dental/Vision coverage for managers, legislators, legislative staff and certain Executive Branch employees
- Dental coverage for retirees
- Vision discount program for retirees
- Health Care Spending Account (HCSA)
- Dependent Care Assistance Program (DCAP)

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GROUP INSURANCE COMMISSION

Fiscal Year 2015 Annual Report
Editor: Cynthia E. McGrath
Printed December 2015

Theme Inspiration

- Carroll, Lewis (1865) Alice's Adventures in Wonderland. United Kingdom: Macmillan
- Carroll, Lewis (1871) Through the Looking-Glass, and What Alice Found There. United Kingdom: Macmillan

Dear Friends:

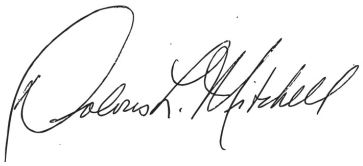
With the GIC celebrating its 60th anniversary, we're young compared to *Alice in Wonderland*, which was published 150 years ago. Nevertheless, Alice's and her compatriots' commentary remains relevant to what the GIC faces in our pursuit of quality health care at reasonable costs. The GIC has been pushing hard to change the health care delivery system and to hold doctors, hospitals and other providers accountable for: overuse of costly resources and disparities in both cost and the quality of care they provide to segments of our population.

Inside you'll read more about both the progress we have made and have not made on changing the way providers are paid. In our ten years of evaluating specialists on quality and cost-efficiency, we've made strides in providing helpful information to providers to improve their performance. Getting our arms around the health care cost monster hasn't been easy, and there has been substantial resistance to change by a number of providers. Sometimes I have to go along with the Red Queen who said, "It is far better to be feared than loved." We continue to push forward on these important changes because they are needed, not because they are embraced by all parties. Perhaps, in the long run we will be neither loved nor feared, but respected for what we have accomplished.

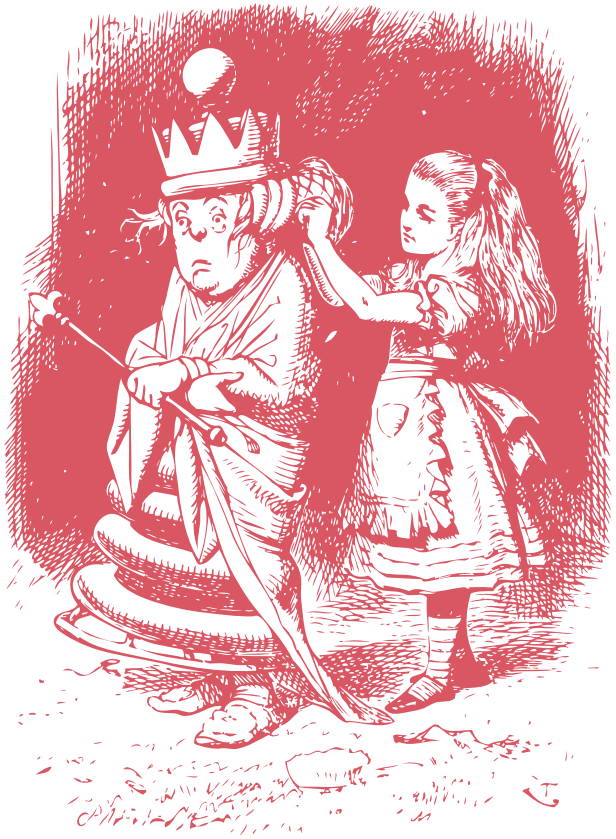
A structural deficit coupled with overspending by two of our large plans forced the Commission to make some hard choices about our benefit package. We pulled out all of the stops to make these changes as straightforward as possible, but these were painful, nevertheless. In between, we were tackling a major upgrade of our critical eligibility system, tightening our enrollment and change rules to comply with IRS pre-tax requirements, auditing five of our plans, and adding a series of new enrollee groups.

Like Alice, we are moving forward despite rapidly changing times. We hope that as you read this report, you will conclude that we are effective stewards in improving health care at affordable costs for our members and the taxpayers of Massachusetts.

Very truly yours,



Dolores L. Mitchell
Executive Director



"Why, sometimes I've believed as many as six impossible things before breakfast," said The White Queen.

Changing the Health Care Delivery System

Centered Care Initiative

Year two of the Centered Care Initiative -- that sought to change the health care delivery system and implement health care payment reform -- had successes and shortfalls. The GIC's contracts with all six health plan carriers used incentives and penalties to contract with doctors, hospitals and other providers on a global payment basis instead of the standard fee for service arrangement. The usual payment approach tends to lead to overutilization of medical procedures regardless of health outcomes. We continued to put pressure on our plans to enter into provider contracts that include increased financial accountability as well as delivery improvements.

Changing the way providers are paid has been something like falling down the rabbit hole, but the GIC continued to advance this important program:

- During the last fiscal year, plans submitted detailed implementation plans and demonstrated that they had memoranda of understanding with Centered Care providers covering 15% of GIC lives; this percentage increased to 20% of GIC lives in January 2014. Premiums could increase 2%. All of these objectives were met.
- **September 2014:** Plans were expected to have signed contracts under Centered Care terms (also called Integrated Risk Bearing Organization or IRBOs) that covered 35% of GIC lives. These contracts include a commitment to spend no more than targeted amounts and to accept a financial penalty for spending more (called accepting "risk") or to be rewarded for spending less (called shared savings). These arrangements are to be implemented during the contract and are a precursor to global payments.
- Tufts Health Plan was given an extension on the September 2014 deadline. In exchange, Tufts committed to enter into additional IRBO contracts by the end of June 2015. Attributing GIC members to particular providers was complicated, but consensus was achieved. Fallon Health worked diligently on a large provider contract that helped the plan meet its milestone. Neighborhood Health Plan and Health New England exceeded the September thresholds.
- **March 2015:** Provider resistance to risk-bearing contracts was intense. Many were unwilling to enter into contracts that included downside risk. The subsequent change to POS plans for our two PPO plans helped with some of these issues. Despite the provider resistance, a majority of our plans met the March 2015 threshold of having 50% of covered lives and contracts under IRBO arrangements. Some academic medical centers were reluctant to accept risk bearing arrangements and this posed challenges because a significant number of members use these providers. GIC staff and its consultant, Mercer, continued to work with all of the health plans to advance the program.

The GIC is publicly pushing the program through speeches at industry events and collaboration with others. At the end of the fiscal year, our plans had IRBO contracts with almost half of covered employees, a significant achievement. The GIC is also working with the Health Policy Commission and other agencies on Accountable Care Organization attribution to leverage its Centered Care experience and to make sure that these other programs complement our ongoing programs.

Clinical Performance Improvement (CPI) Initiative

The GIC's ten-year Clinical Performance Improvement (CPI) initiative – also known as Select & Save - program continued to advance transparency, quality of care, and efficient use of resources. One hundred sixty-four million physician claims were analyzed for differences in how physicians perform on nationally-recognized measures of quality and/or cost efficiency. Members pay the lowest copay for the highest-performing doctors:

★★★ Tier 1 (excellent)
★★ Tier 2 (good)
★ Tier 3 (standard)

With input from the Massachusetts Medical Society, the GIC engaged in outreach to physician practices. The six health plans, Mercer, and the GIC consolidated report (that gives physicians their tier designation and information on how the tier is determined) was mailed to over 7,000 tiered specialists. For the first time, a report was also mailed to 7,000 primary care physicians who care for GIC members. Although primary care physicians are not assigned to tiers, providing quality and efficiency scores and the back-up reports does offer them insight into their performance. Additionally, a summary report was sent to 18 practice leaders of the practice's low scoring providers so that they could initiate discussions with these practitioners about possible performance improvements.

Budget Shortfall

The GIC started FY15 with an appropriation estimated at a $120 million shortfall. Municipal and Transportation reform legislation increased the GIC's enrollment significantly over the last several years: 18,960 for FY13, 5,753 for FY14, and 13,500 for FY15. However, the GIC's budget base was not corrected to reflect the additional members, the end of federal funds, and the supplemental budgets received during the previous few years. Additionally, two of the GIC's largest plans – Tufts Health Plan and Harvard Pilgrim Health Care – have not made as much progress as hoped in reducing costs through new risk-bearing contracts with providers. Too many patients used expensive academic medical centers for non-complex care, driving up premiums. Initial rate requests for FY16 came in at a weighted average premium increase of 9.5%.

The new Baker-Polito administration committed to making the GIC's FY15 budget whole and a supplemental $190 million budget was filed by the Governor and approved by the legislature mid-year. However, although the new budget base put the GIC's fiscal profile in a more realistic framework, there was no room for increased spending for FY16–certainly not sufficient to meet the premium increases originally requested by the plans. Although the GIC continues to push for Centered Care-risk bearing provider contracts to help contain health care costs, progress is slow. The Commission had to make some difficult decisions to bring the GIC's budget in line. These were not easy decisions and they affected all of us who work for the state and local communities.

In advance of voting for benefit changes, the Commission held a forum for municipal officials. The GIC's annual public hearing gave members an additional opportunity to voice their concerns.

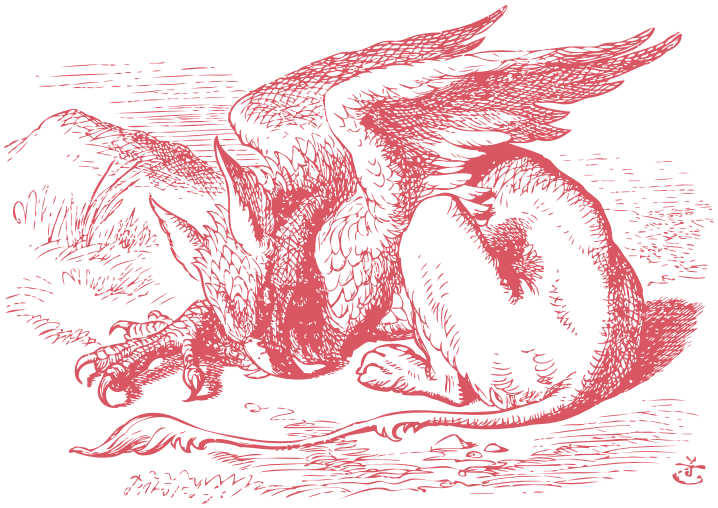
The following benefit changes for July 1, 2015, helped mitigate the premium increases and the average FY16 rate increase after further negotiations with the plans was 5.7%:

- Harvard Pilgrim Independence and Tufts Health Plan Navigator Changed to Point of Service (POS) Plans: In keeping with the Centered Care Initiative, these two plans now require members to select a Primary Care Provider (PCP) to manage their care and monitor referrals to specialists to receive care at the in-network level of coverage. Members who get care from specialists without a PCP referral have higher out-of-pocket costs.
- The calendar year deductible was increased from $250 individual/$750 family to $300/$900, still below the national average for deductibles.
- Copays increased for prescription drugs, specialist visits, inpatient hospital admissions and outpatient services.

The GIC went out to bid for the pharmacy vendor for UniCare members and elected to continue with CVS/caremark. Some formulary changes were made, including requiring prior authorization for certain high-cost drugs, and mandating that refills of certain oral, injectable, infused and inhaled specialty drugs be filled through CVS/caremark's specialty pharmacy.

On a positive note, the calendar year deductible will be transitioning to a fiscal year to eliminate a barrier for changing health plans at Annual Enrollment. Similarly, the Flexible Spending Account is also transitioning to a fiscal year so that state employees can better estimate their Health Care Spending Account election in keeping with their health plan benefit levels and expected out-of-pocket costs. Additionally, the Commission elected to change the prescription drug portion of the UniCare State Indemnity Plan/ Medicare Extension to an Employer Group Waiver Plan (EGWP), a Medicare Part D Plan, with additional coverage provided by the GIC, effective January 1, 2016. This change is expected to lower increasing costs by $30 million annually and help mitigate the effects of skyrocketing drug costs on premiums. The final weighted premium increase for FY16 was 5.7%.

"That's the reason they're called lessons," the Gryphon remarked: "because they lessen from day to day."



Member Education

Despite the FY16 copay and deductible increases, members can reduce their out-of-pocket costs by navigating their benefits. To this end, the GIC conducted a comprehensive communications campaign:

- **Benefit Decision Guides** were redesigned to include the popular and helpful At-a-Glance benefit charts in the center. Copays that were changed appeared in bold to help members see how their benefits were changing. How to save on out-of-pocket costs was featured.
- **Annual Enrollment Video:** For the first time, an Annual Enrollment video was created and distributed that gave members steps to take during Annual Enrollment, even if they didn't' want to change health plans. The video also included tips for lowering out-of-pocket costs. Over 3,500 employees accessed this tool during the spring.
- **Coordinator Training:** Over 600 human resources staff attended this year's training held at five locations across the state. A comprehensive presentation was delivered to help staff assist their employees during Annual Enrollment: reasons for benefit changes, details of the benefit changes, Tufts and Harvard POS transition information, and how members can save on out-of-pocket costs.
- **Collaboration with Unions:** An article outlining the POS change for Tufts and Harvard was distributed to our Commissioners who represent various unions so these could be shared with their members.
- **Health Fairs:** The GIC conducted 13 health fairs across the state to provide in-person assistance with questions and enrollment changes.
- **Collateral Materials:** Multiple other communications incorporated tips for saving money: home mailings, website, pay and pension advice messages, Tweets, and emails.
- **Feature Newsletter Articles:** The lead article in the summer newsletter helped members navigate their benefits on how to lower out-of-pocket costs. Another article outlined the POS change and how this would and would not affect members.

Key messages:

- **Work with your Primary Care Provider** (PCP) to navigate the health care system.
- **Seek care from Tier 1 and Tier 2 specialists.** Over 164 million claims have been analyzed for differences in how physicians perform on nationally recognized measures of quality and/or cost efficiency. You pay the lowest copay for the highest-performing doctors:

  ★★★ Tier 1 (excellent)

  ★★ Tier 2 (good)

  ★ Tier 3 (standard)

- If you are in a tiered hospital plan and have a planned hospital admission, talk with your doctor about whether a **Tier 1 hospital** would make sense.
- Use **urgent care facilities and retail minute clinics** instead of the emergency room for urgent (non-emergency) care.
- Make copies and **bring the prescription drug formulary** from your plan's website with you to all doctor visits.
- **Use your health plan's online cost comparison tool** to shop for health care services in advance.
- Consider **enrolling in a Limited Network Plan** to save money on your monthly premium.
- Read about ways to **take charge of your health;** the GIC's website has a wealth of articles and links to additional resources: www.mass.gov/gic/yourhealth.
- **Eat healthy, exercise regularly, don't smoke, and find ways to de-stress.**

"Curiouser and curiouser!" cried Alice.

Information Technology Upgrades

GIC staff in collaboration with Boston Data Group, an IT consulting company, made significant progress on the GIC's critical eligibility and billing system (MAGIC) upgrade:

- Basic elements of the new platform were developed: insured record, plan premium calculation, and bill production policies and requirements.
- The financial management billing system was created in a web-based environment.
- Business rules were developed for adding employees, survivors, retirees, and dependents.
- Insured, dependent, and coverage screens were created on the web-based platform.

Work has begun on other operations-related data entry and retrieval needs, including the life insurance claims system. The GIC is on target to move the eligibility system off the mainframe in Chelsea by the end of fiscal year 2017.

MyGIC, the online benefit access system, enables employees to view their GIC benefit statements on an up-to-date basis. Programming took place to identify new employees who had not received their Personal Identification (PIN) mailing, and mailing to these employees began at the beginning of FY16. Future enhancements will include online changes.

Retiree Drug Subsidy

The federal government provides an incentive called the Retiree Drug Subsidy program to employers that offer drug coverage to Medicare retirees. The GIC participates in this program with four of our Medicare health plans. This process has returned a total of $221.7 million to the Commonwealth's General Fund since FY06, including reimbursement for FY14 of $30.9 million. For FY15, $31.2 million has been received. A portion of this money goes to municipalities who participate in GIC insurance after the final reconciliation process is complete. During FY15, the GIC returned $8.15 million of the FY13 reconciliation to participating cities and towns.

So many out-of-the-way things had happened lately that Alice had begun to think that very few things indeed were really impossible.

Net Membership Gains

Since 2007 and the advent of Municipal Reform, County Reform, and Transportation consolidation laws, the GIC has implemented sixteen waves of new groups. In addition to these groups' effect on our budget, adding groups has a major impact on the operations, public information, legal, information technology, and communications departments. Fortunately, we've become implementation experts, and this helps ensure smooth transitions: data exchanges, series of training sessions, customized communications, programming changes, health fairs, data entry and billing reconciliation. Record snowfalls during the winter of 2015 added pressure to the usual training methods. Using webinars, phone and email, we stayed on track for the July 1 group implementations despite the weather hurdles.

Effective January 1, 2015: 500 New Members

Town of Grafton
South Essex Sewerage District

Effective July 1, 2015: Over 3,800 New Members

Town of Ashland
Town of Easton
Town of Westwood
LABBB Collaborative
Valley Collaborative
Charms Collaborative
Remaining MBTA Unions (Local 6, Alliance of Unions, and Steelworkers)

Effective July 1, 2015: Almost 2,300 Members Withdrew

City of Pittsfield
Cohasset retirees covered under the Retired Municipal Teacher (RMT) Program

Effective July 1, 2015: New Groups Joining the Retiree Dental Plan

Town of Ashland
Town of Middleborough
Town of Weston

Annual Enrollment Change Volume

Usually less than 2% of members change plans at Annual Enrollment. The spring 2015 Annual Enrollment was particularly busy due to new groups and the benefit changes, including the transition of Harvard Independence and Tufts Navigator to POS plans. This posed challenges to the four-person data entry staff. This year, 6.3% of current members changed health plans -- more than tripling the number of changes that usually take place. All departments pitched in so that the changes were entered on time and members received their health plan ID cards before July 1. UniCare and Neighborhood Health Plan were the big membership gain winners.

Dental Enhancement

In keeping with advances in dental practice, white composite resin filling coverage was approved as an enhancement for the active and retiree dental plans effective July 1, 2015. The white filling is more attractive and popular than the silver option. The added coverage represented a 1.5% increase to the premium.

WellMASS

In year three, participation grew in the GIC's pilot wellness program, WellMASS, for GIC-insured employees of the Executive Branch, Constitutional Offices, and the Legislature. A second staff person was hired, enabling the expansion of popular onsite programming across the state. This addition also helped increase participation in the Health Questionnaire, the key to accessing self-paced wellness modules and a variety of health–related information and resources. The Health Questionnaire was updated to be more user-friendly. Participants could complete it on their computers, tablets, or smartphones, and it was shortened so the average completion time was only 10 minutes. Based on the results of the questionnaire, high-risk individuals were also able to participate in individualized telephonic health coaching.

During FY15, 4,389 people completed the WellMASS Health Questionnaire, a 64.9% increase from FY14, and 19.8% of those who were eligible for health coaching enrolled in that program. A variety of onsite programs were offered: over 900 employees attended 74 Lunch 'n Learn seminars; almost 750 employees attended the 25 other onsite events that included drop-by booths and healthy eating demos; and over 580 employees completed their questionnaire at one of the 26 worksite "Take Your Health Questionnaire Days." Over 570 employees took advantage of the 27 webinars, and over 550 employees participated in the six-week online nutrition challenge "Eat for the Health of It."

Audits

Five audits were performed in FY15: UniCare, Fallon Health, Neighborhood Health Plan, Health New England and Beacon Health Strategies, the mental health vendor for the UniCare State Indemnity Plans and Tufts Navigator and Spirit plans. These provided a valuable review of the claims payment operations of the GIC's vendors, disclosed opportunities to recoup errors, and identified areas for improvement. The audits revealed outstanding financial accuracy by Health New England and areas for improvement with the other health plan vendors. Staff is currently working with the plans to address the areas of concern uncovered in the audits.

Flexible Spending Accounts

The GIC went out to bid for the pre-tax Flexible Spending Account (FSA) program and selected a new vendor, ASIFlex. The fall open enrollment was particularly busy to get word out about the transition, reduced administrative fee, and lower minimum for the Health Care Spending Account. The new minimum threshold attracted 550 new first time participants and total participation jumped 9% over 2014 to over 21,000 accounts. The new administrator more closely adhered to IRS substantiation requirements to limit liability exposure, which resulted in some confusion and backlash. Tools including a wallet card giving clearer instructions and home mailings helped to assuage some of these concerns. We continue to work with ASIFlex to make its website more user friendly and to streamline claim documentation.

Modifications to Rules for Enrolling in Health Plans and Adding Dependents

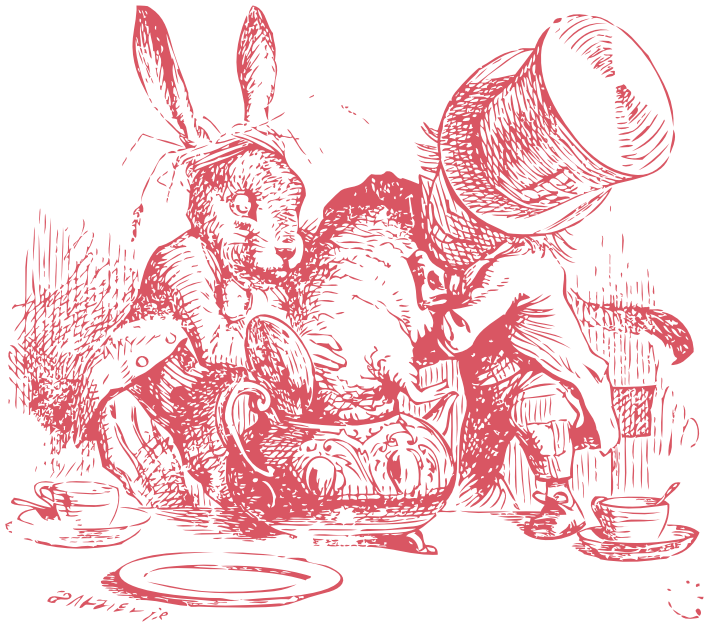
In compliance with federal and state law for pre-tax benefits, the GIC tightened up our rules and instituted a 60-day deadline effective July 1, 2015 for making changes outside of Annual Enrollment. These rules relate to changes made during the year as the result of a qualifying status change, including enrolling in a health plan, adding dependents and cancelling coverage. As part of this change, the GIC identified all affected parties, creating a chart that is used as a resource for both staff and coordinators. Corresponding frequently asked questions were also developed.

We created all-new forms that were easier to use and complied with the new deadlines and documentation required for pre-tax benefits. A new employment status change form was developed to better outline the options employees should review at retirement, including Medicare Plan elections, if applicable, optional life insurance coverage, and Retiree Dental. In the past, many employees neglected to review their optional life coverage. The cost of this program increases dramatically at retirement. The new form helps employees avoid costly bills and coverage they may not need. These changes were particularly helpful with the early retirement incentive offered to certain state employees at the end of the fiscal year.

"Why is a Raven Like a Writing-Desk?" asked the Mad Hatter.

Alice replied, "What's the answer?"

"I haven't the slightest idea," said the Hatter.



Collaboration Activities

With health care evolving rapidly, staying engaged with others in the health care and benefits industry is critical. GIC staff participate in a variety of national and state organizations and the GIC's Executive Director is frequently asked to speak about the GIC and our initiatives. She serves as a board member of the following national organizations:

- National Committee for Quality Assurance (NCQA) – the national accrediting organization for managed care plans, physicians, and medical homes.
- National Quality Forum and its Measures Applications Partnership and Affordability Task Force – advises the federal Secretary of Health and Human Services on patient safety and quality measurements.
- Catalyst for Payment Reform – led by large health care purchasers including the GIC, a founding member, that are devoted to improving quality and reducing costs by identifying and coordinating workable solutions to how we pay for health care in the U.S.

The Executive Director, or her designee, is also a board member of the following state organizations:

- Massachusetts Health Connector Authority – the Massachusetts exchange that runs Commonwealth Care and Commonwealth Choice and implementing Chapter 58, the Massachusetts health reform law and the Affordable Care Act.
- State Retiree Benefit Trust Fund – funds and pays for the state share of retiree health insurance premiums.
- Statewide Quality Advisory Committee - makes recommendations to the Department of Public Health for promulgation of quality-related measures.
- Northeast Business Group on Health - a network of employers, providers, insurers and other organizations that work together to improve the quality and reduce the cost of health care in New York, New Jersey, Connecticut and Massachusetts.

In addition, GIC staff collaborate with others to implement national and state health reform legislation (Federal Health Care Reform Implementation and Employer Shared Responsibility Workgroups), consolidating and sharing databases (Inter-Agency Quality Work Group and All-Payer Claims Database Release Committee), staying abreast of trends in the employee benefits field (New England Employee Benefits Council, on which the GIC's Communications Director serves as a member of its board), improving health care safety (The Leapfrog Group) and implementing the Governor's strategic plans for better health care, government and performance (A&F Strategic Plan, HR/CMS Steering Committee, and ANF-IT Steering Committee).

"I knew who I was when I got up this morning, but I think I must have been changed several times since then," said Alice to the Caterpillar.

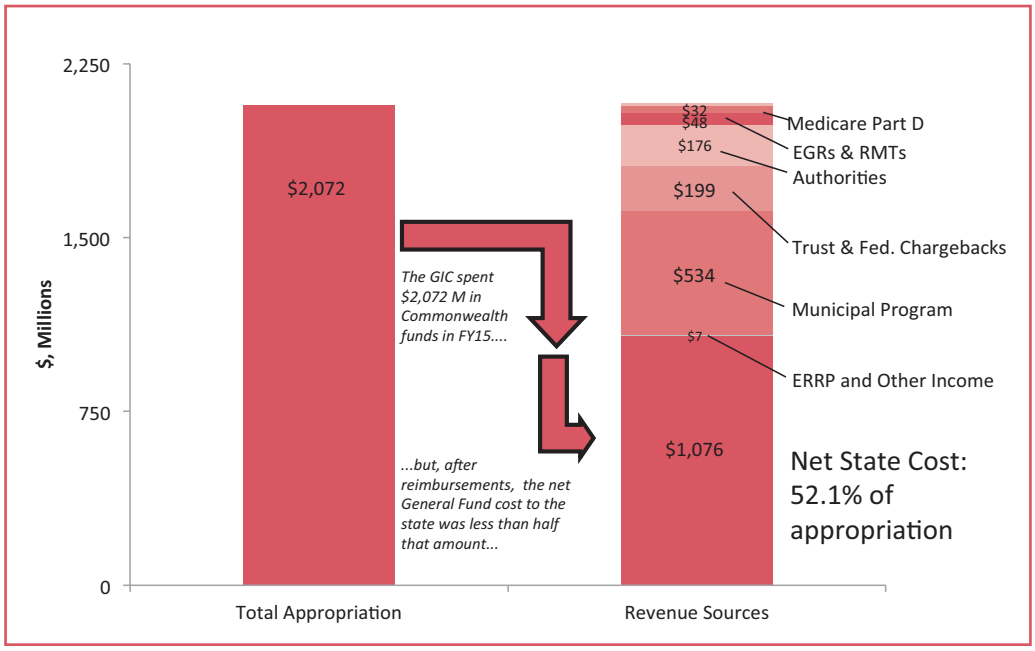
Providers continue to channel The White Queen in their response to risk-based contracts and being measured on their performance today – although tomorrow is fine. Provider consolidation has given providers, including generic drug manufacturers, market power that makes our task harder. We're with Alice – we need to tackle these challenges today! Expensive mandates and skyrocketing drug costs are adding tremendous pressure to already unsustainable health care cost increases, and we're working with others in the health care community and our plans to confront these challenges as well.

The implementation of the Employer Group Waiver Plan for UniCare State Indemnity Plan/Medicare Extension members (the GIC's most popular Medicare Plan) will add pressure to the GIC's 50-person staff. It will require data match and discrepancy resolution with federal government files, a new turning age 65 and retirement process and mailings, new tracking systems, additional budgeting complexities and numerous communication requirements. Federal government rules for the Affordable Care Act, including the offer of health insurance and dissemination of the 1095-B form for the individual mandate, poses a coordination challenge given the fact that there are over 250 payroll systems.

To paraphrase Alice, we can't go back to yesterday because it was a different time with different challenges. Instead, we continue to look ahead, to push forward with improving care, changing the health care delivery system, and tackling rising health care costs today, both for the benefit of our members and for all Commonwealth of Massachusetts residents.

"The Rule is, Jam To-Morrow And Jam Yesterday - But Never Jam To-Day," said The White Queen. "It must come sometimes to jam to-day," Alice objected. "No, it can't," said the Queen. "It's jam every other day." "Today isn't any other day, you know," responded Alice.

STATE'S GENERAL FUND REIMBURSED FOR 47.9% OF GIC APPROPRIATION



Financial Reports

STATEMENT OF EXPENDITURES

DESCRIPTION	ENROLLEES	COMMONWEALTH
Administration (a)	-	3,507,468
Basic Life Insurance *for State Employees and Retirees*	2,372,720	9,306,100
Optional Life Insurance *for State Employees and Retirees*	37,459,034	-
Health Insurance *for State and Municipal Employees and Retirees (b)*	520,365,394	1,995,875,342
Dental And Vision Insurance *for State Managers & Legislators*	1,583,882	8,544,843
Long Term Disability Insurance *for State Employees*	13,748,820	-
Health Insurance *for Elderly Governmental Retirees (c)*	36,096	224,531
Life Insurance *for Retired Municipal Teachers*	150,872	577,239
Health Insurance *for Retired Municipal Teachers*	12,727,335	54,280,494
Dental Insurance *for Retirees*	12,837,354	-
Total Expenditures	**$601,281,508**	**$2,072,316,016**

STATEMENT OF REVENUE

DESCRIPTION	COMMONWEALTH
Housing, redevelopment, and other authorities	176,075,500
Municipal Program Health Insurance	534,176,916
Elderly Governmental Retirees' Health Insurance	179,487
Retired Municipal Teachers' Health Insurance	47,963,719
Insurance chargebacks to state agencies receiving federal and trust funds	198,993,910
Leave of absence chargebacks to state agencies	476,472
Federal subsidy for Medicare Part D Program	31,970,996
Other income	3,030,872
Total Revenue Credited to Commonwealth's General Fund	**$992,867,873**

SUMMARY OF REVENUES/EXPENDITURES

Total Expenditures	2,072,316,016
Funds from the Early Retiree Reinsurance Program (ERRP)	- 3,092,734
Total Revenue Credited to Commonwealth's General Fund	- 992,867,873
Net Commonwealth Expense	**$1,076,355,410**

note:

(a) Additionally $265,016 from employees' trust funds and $2,018,215 from communities participating in the GIC's Health Insurance Programs was used to pay administrative costs.

(b) Medical and prescription drug co-payments and deductibles for FY15 totaled $224,455,506 million.

(c) The EGR share includes $12,824 from the EGR Trust Fund and $7,909 from the EGR Rate Stabilization Reserve. These amounts are subsidies to the retirees' premiums

Financial and Trend Reports

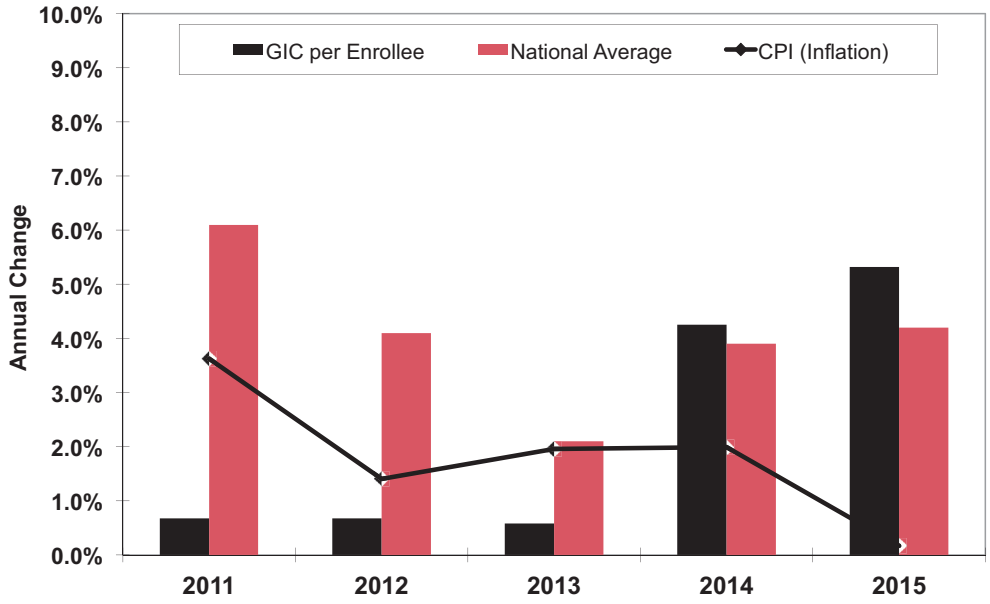
RATE STABILIZATION RESERVE STATEMENT

DESCRIPTION	BEG. BALANCE	RECEIPTS	EXPENDITURES	ENDING BALANCE
Basic Life Insurance *for State Employees and Retirees*	3,575,356	7,152	-	$3,582,507
Optional Life Insurance *for State Employees and Retirees*	17,950,312	2,745,882	1,900,000	$18,796,194
Health Insurance *for State and Municipal Employees and Retirees*	75,128	150	-	$75,278
Health Insurance *for Elderly Governmental Retirees*	234,336	5,936	7,909	$232,363
Life Insurance *for Retired Municipal Teachers*	110,564	221	-	$110,785
Health Insurance *for Retired Municipal Teachers*	16,441,182	1,434,330	4,249,628	$13,625,884

EMPLOYEES' TRUST FUND STATEMENTS

DESCRIPTION	BEG. BALANCE	RECEIPTS	EXPENDITURES	ENDING BALANCE
Health Insurance *for State and Municipal Employees and Retirees*	2,285,225	268,950	265,016	$2,289,159
Health Insurance *for Elderly Governmental Retirees*	116,621	218	12,824	$104,016

CHANGE IN GIC AVERAGE COST PER ENROLLEE VS. OTHER BENCHMARKS



Sources: FY11-FY15 Pool I Demographic and Cost Analysis, National Survey of Employer-Sponsored Health Plans, Mercer Human Resource Consulting, and U.S. Bureau of Labor Statistics CPI-All Urban Consumers

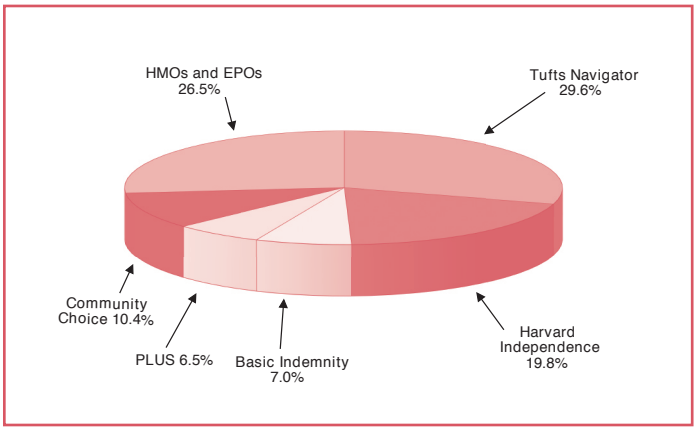
FY 2015 Enrollment

HEALTH PLAN MEMBERSHIP BY INSURED STATUS FY2015

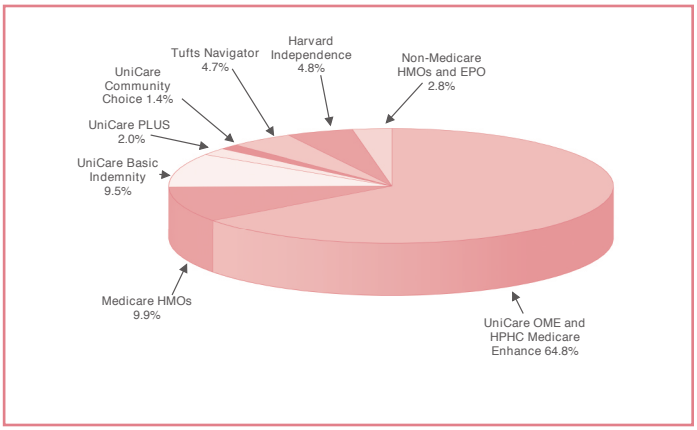
	SELF INSURED	TOTAL ACTIVE*	TOTAL RET&SUR	TOTAL EGR&RMT	TOTAL ENROLLEES	TOTAL DEPENDENTS	TOTAL LIVES
UniCare Basic Indemnity	Yes	8,240	10,176	2,078	20,494	15,094	35,588
UniCare PLUS	Yes	7,662	2,606	0	10,268	13,230	23,498
UniCare Community Choice	Yes	12,184	1,851	0	14,035	18,937	32,972
UniCare Medicare OME	Yes	16	63,709	6,446	70,171	0	70,171
Fallon Health Direct	No	3,217	245	27	3,489	3,571	7,060
Fallon Health Select	No	3,589	490	109	4,188	6,372	10,560
Fallon Senior Plan	No	0	484	54	538	0	538
Harvard Pilgrim Independence Plan	Yes	23,254	6,243	0	29,497	40,428	69,925
Harvard Pilgrim Primary Choice	Yes	8,393	838	0	9,231	11,905	21,136
Harvard Pilgrim Medicare Enhance	No	6	13,377	108	13,491	0	13,491
Health New England	No	8,602	1,294	206	10,102	12,521	22,623
Health New England MedPlus	No	0	2,173	213	2,386	0	2,386
Neighborhood Health Plan	No	4,054	155	31	4,240	4,308	8,548
Tufts Navigator	Yes	34,695	6,051	0	40,746	58,394	99,140
Tufts Spirit	Yes	3,237	270	0	3,507	3,135	6,642
Tufts Medicare Preferred	No	1	4,181	79	4,261	0	4,261
Tufts Medicare Complement	No	2	5,556	51	5,609	0	5,609
Basic Indemnity Plan		8,240	10,176	2,078	20,494	15,094	35,588
Total PPO-Type Plans		77,795	16,751	0	94,546	130,989	225,535
Total HMO-Type Plans		31,092	3,292	373	34,757	41,812	76,569
Total Medicare Indemnity Plans		22	77,086	6,554	83,662	0	83,662
Total Medicare HMO Plans		3	12,394	397	12,794	0	12,794
TOTAL-ALL		**117,152**	**119,699**	**9,402**	**246,253**	**187,895**	**434,148**

*Active enrollment includes employees and people paying full-cost premium.
Source: Pool I Demographic and Cost Analysis: Gross Enrollment Report and Pool II Gross Enrollment Appendix, Fiscal Year 2015

ACTIVE EMPLOYEES BY PLAN TYPE - FY 2015

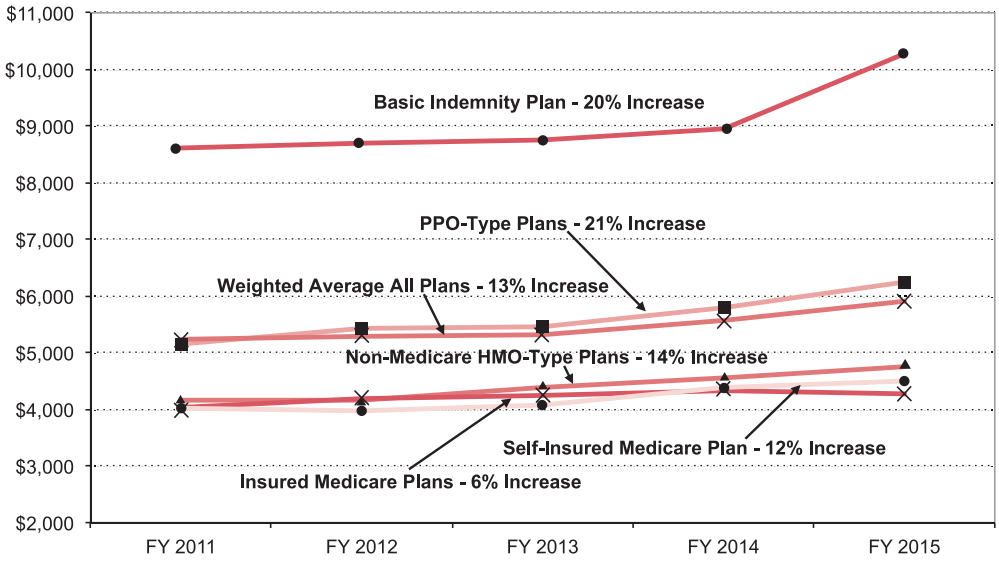


RETIREES AND SURVIVORS BY PLAN TYPE - FY 2015 POOL I AND POOL II



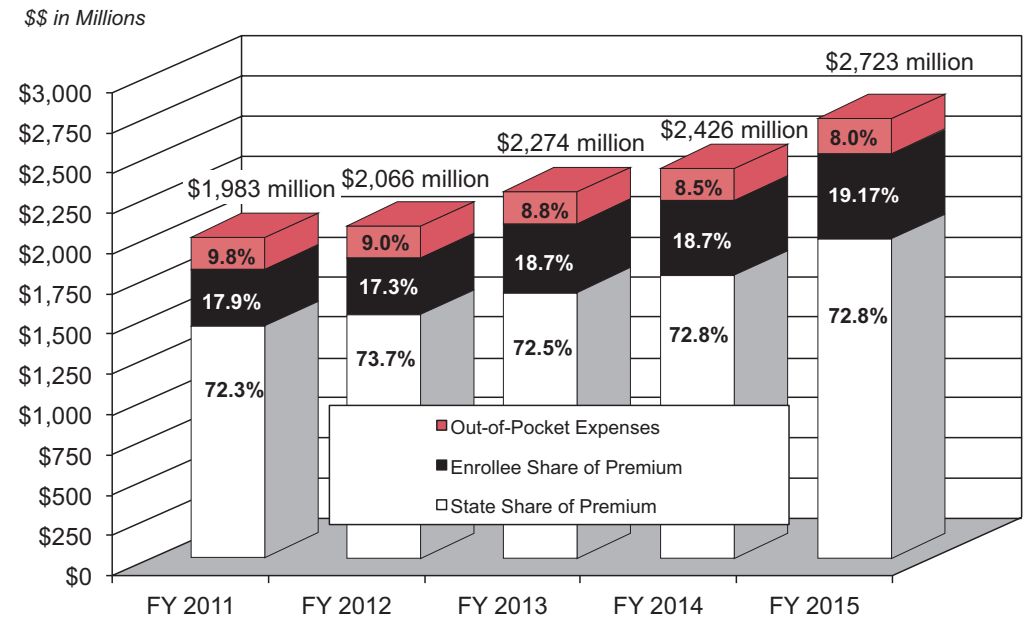
Trend Reports

COST PER CAPITA (TOTAL STATE AND EMPLOYEE/RETIREE SHARE)



* The PPO-type plans include the UniCare Indemnity PLUS and Community Choice, HPHC Independence, and Tufts Navigator plans.
* Non-Medicare HMO-type plans include Fallon Direct and Select, HPHC Primary Choice, HNE HMO, NHP Care, and THP Spirit.
* Data excludes EGRs, RMTs and enrollees' out-of-pocket expenses.
Source: FY2011 - FY2015 Pool I Demographic and Cost Analysis.

TOTAL HEALTH CARE COSTS FOR THE GIC AND ITS ENROLLEES



Source: FY11-FY15 Pool I Denographic and Cost Analysis

COMMONWEALTH OF MASSACHUSETTS

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KARYN POLITO, Lieutenant Governor

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COMMONWEALTH OF MASSACHUSETTS
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